AROUND THE BOARDROOM

THE DELOITTE CFO SURVEY
2015 Q1 RESULTS

GETTING BACK TO NORMAL

Deloitte.

Contents

Key points from the 2015 Q1 Survey

52%
are optimistic about the financial prospects for their companies.

Optimism among Dutch CFOs recovers from dip

The optimism about financial prospects for CFOs' companies in the next 3 months recovered from 31 percent last quarter to 52 percent now.

The net percentage (optimistic minus pessimistic) recovered from 3 percent to 33 percent.

46%
rate the external financial and economic uncertainty facing their business as normal, or even below normal.

Current economic situation perceived as normal

The percentage of CFOs who rate the external financial and economic uncertainty facing their business as normal, or lower than normal now stands at 46 percent compared to 41 percent in 2014 Q4.

Some 54 percent of CFOs is still uncertain (from 59 percent).

48%
report that now is a good time to be taking greater balance-sheet-related risks

Risk appetite at highest level ever

A record-breaking 48 percent of CFOs say that now is a good time to be taking greater balance-sheet-related risks, while 52 percent is still risk-averse.

77%
believe that their companies are prepared for a crisis

CFOs believe that their companies are prepared for a crisis

77 percent of CFOs believe that their companies are (very) well prepared for a crisis that potentially threatens the very survival of the business, such as cyber-attacks, financial crime, geopolitical confrontations, financial disruptions and other catastrophes – or a combination of them.

General economic environment

While stock exchanges across Europe reached their peaks since the economic crisis, the Grexit scenario returned. Whether a Grexit is likely or not, the Greece cabinet keeps on challenging the Eurozone members to the edge. The result is that the 19 countries of the Eurozone have split into two distinct camps: Greece and the other 18. But all say they want Greece to stay in the Eurozone, although the Eurozone could well weather a Grexit.

The European Central Bank (ECB) began buying government bonds on March 9, six years after the U.S. embarked on QE (quantitative easing), an asset-purchase program worth about 1.1 trillion euros. The ECB is also still providing cheap funding to any bank that needs it in its regular operations — a sort of temporary, on-demand version of QE.

Since the ECB's QE announcement, the euro has fallen further against the US dollar. In less than a year, the euro fell 23 percent, resulting in cash leaving the Eurozone, where returns on safe assets are infinitesimal. According to data provider Dealogic, U.S. companies have sold €27.2 billion debt in the first two months of 2015 in order to benefit from the low interest rates in Europe and to hedge against the sharp decrease of the euro.

According to National Statistics, more Dutch consumers are positive about the economy than negative, for the first time in seven years. The official consumer confidence index reached +2 in March, up from -7 in February. It had sunk as low as -44 in February 2013. The last time the index was in positive figures was in August 2007, shortly before the start of the economic crisis.

However, confidence among Dutch producers fell further back in March, for the third consecutive month. The producer confidence indicator decreased from 2.0 in February to 1.4 in March, according to Statistics Netherlands.

The CPB Netherlands, Bureau for Economic Policy Analysis, forecast the Dutch economic to grow 1.7 percent and 1.8 percent, this year and in 2016 respectively.

Special topic: crisis management

Today, companies operate in a more volatile risk environment than ever before. From an accident that disrupts a supply chain to a firestorm in social media, companies are confronted with events that impact business as usual. It's part of doing business. But dealing with a major crisis is a different matter. The pressures on delivering customer and service excellence are high, and the changing nature of potential disruptions has highlighted the need to prepare for unexpected events.

Organizations should accept the fact that however good their defenses are, incidents and crisis situations will occur. A single mega event – or a combination of them – can trigger a crisis situation that potentially threatens the very survival of the business. These mega events are occurring with increasing frequency, such as cyber-attacks, financial crime, geopolitical confrontations, financial disruptions and other catastrophes.

Deloitte asked its CFO panel how well they are prepared for a crisis.

Key observations:

- One out of three CFOs expect a crisis situation that may jeopardize critical assets, reputation or financial standing, taking into account that 42 percent of the panelists indicate that he or she does not feel (very) confident to handle a major crisis;
- The top5 potential crisis situations that CFOs' companies are tracking and preparing for are:
  1. Financial disruption;
  2. Technological and industrial crisis;
  3. Malevolence and cyber;
  4. Misdeeds and financial crime;
  5. Confrontations.
- Less than half of the organizations questioned, review or audit its crisis management on a regular basis.

Market conditions and the economy

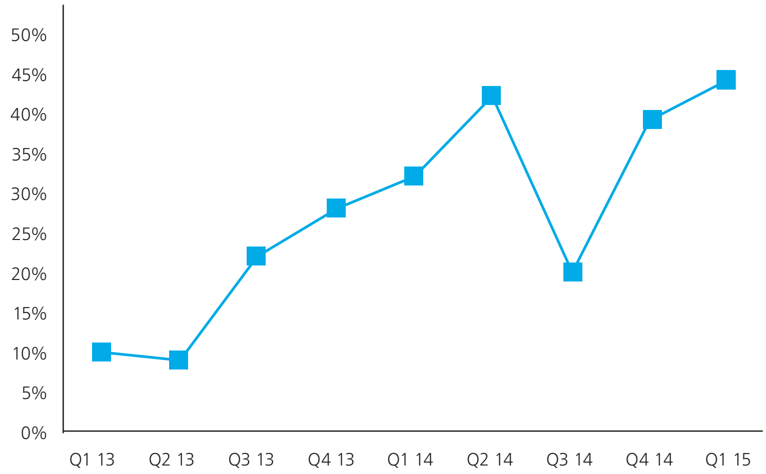
Some 46 percent rate the current external financial and economic situation as normal, or even below normal. This is a significant increase compared to the last six months and even the highest score in two years.

The net percentage (optimistic minus pessimistic) recovered from 3 percent to 33 percent.

CFOs of Dutch corporates are more optimistic than their counterparts across Europe. The Deloitte EMEA CFO Survey (held among some 1,300 CFOs) shows that 39 percent of CFOs rate the current situation as (below) normal, while 61 percent is still uncertain.

Chart 1. Economic (un)certainty

Percentage of CFOs who rate the external financial and economic uncertainty facing their business as normal, or lower than normal

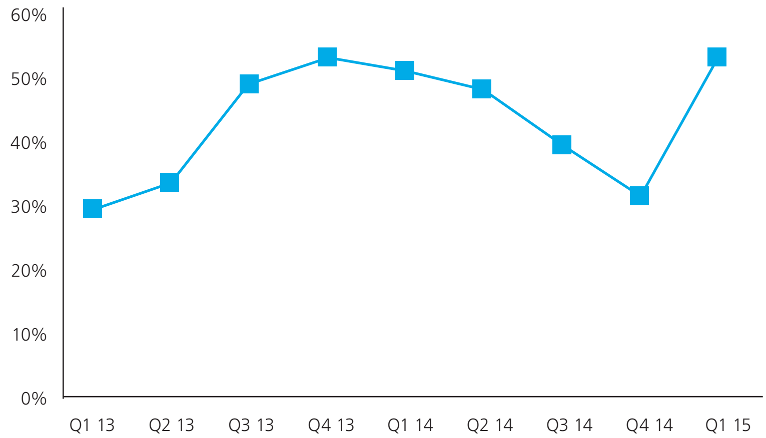


Short-term business confidence showed a strong recovery compared to last quarter. Now, 52 percent of CFOs are more optimistic about the financial prospects for their companies.

Business confidence among CFOs in EMEA came in at 32 percent, with barely any difference between CFOs in Eurozone countries and non-Eurozone countries.

Chart 2. Business confidence

Percentage of CFOs who are more optimistic about the financial prospects for their companies now versus three months ago



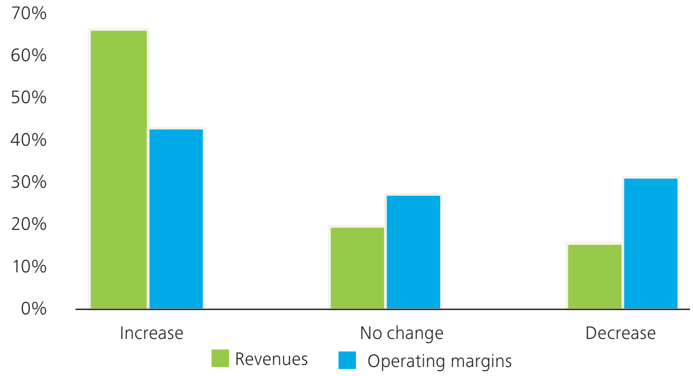
No less than 65 percent of CFOs expect their companies' revenues to increase in the next 12 months.

CFOs expect operating margins to increase at a slower pace. Only 42 percent of the CFOs expect operating margins to improve while a third believes that operating margins will fall.

CFOs in the Netherlands are at par with their colleagues in the EMEA region, where 67 percent expect higher revenues and 47 percent expect increased operating margins.

Chart 3. CFOs' outlook on revenues and operating margins

Expectation of key metrics for CFOs' company to change in the next 12 months



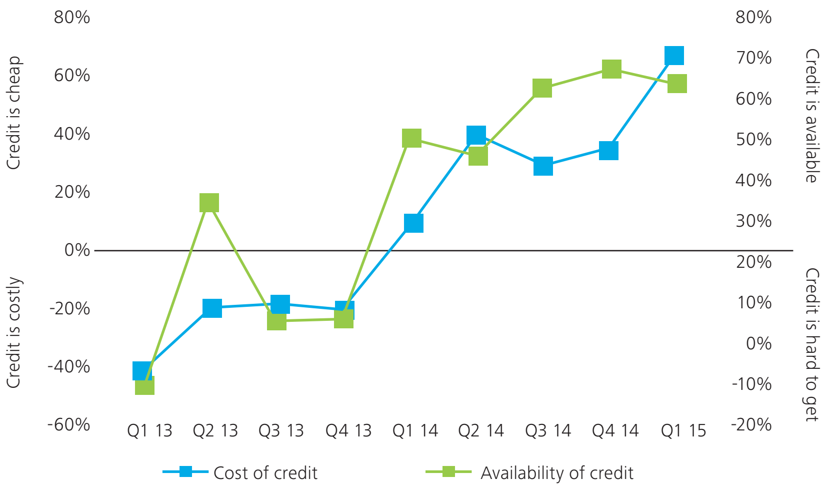
Credit is still perceived as very well available and very cheap, a proof that financing conditions remain gentle.

Some 72 percent of the panelists said that credit became cheaper, compared to 38 percent in the last quarter of 2014.

The availability of credit is still very good, although the net percentage decreased from 72 percent in Q4 2014 to 68 percent now, which is still far above the two year average of 29 percent.

Chart 4. Cost and availability of credit

Net percentage of CFOs reporting that funding for corporates is cheap or expensive, and funding is easily available or hard to get



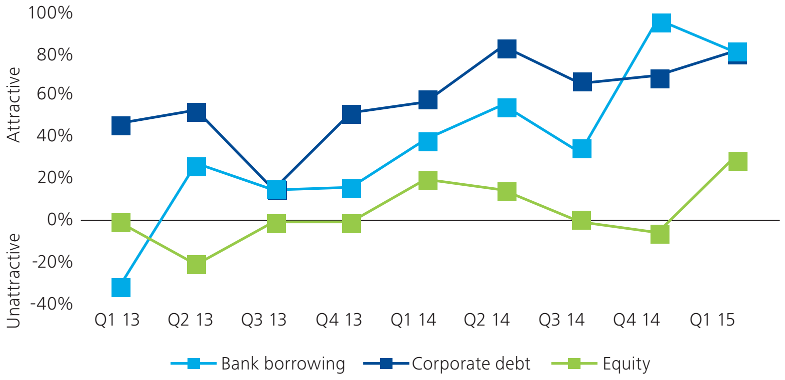
Banking borrowing and corporate debt are both seen as the most favoured source of funding.

The attractiveness of bank borrowing decreased to 64 percent (from 76 percent) while the net percentage of CFOs that see corporate debt as the most favoured source of funding increased from 55 percent to 64 percent.

Equity is still seen as unattractive, despite an increase from -4 percent last quarter to 24 percent now.

Chart 5. Favoured source of corporate funding

Net percentage of CFOs reporting the following sources of funding as (un)attractive

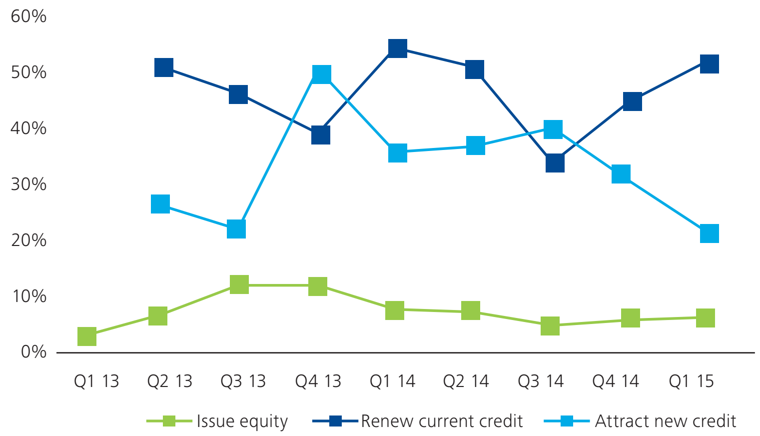


Some 54 percent of the panelists is likely to renew current credit over the next 12 months (versus 46 percent in 2014 Q4).

The percentage of CFOs who will attract new credit decreased further from 32 percent to 23 percent, while only 8 percent is likely going to issue equity.

Chart 6. Likely to issue debt/equity?

Percentage of CFOs who are (very) likely to issue debt/equity over the next 12 months



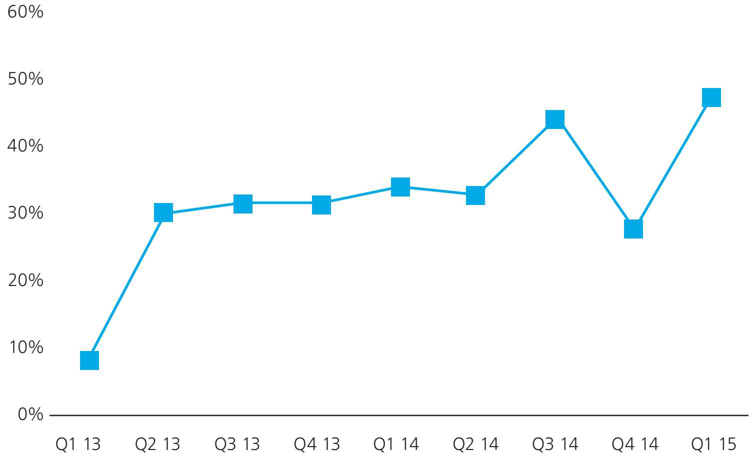
Cash flow and risk

Risk appetite among CFOs recovered from its dip in the last quarter and increased from 28 percent to 48 percent now. This is the highest level since the start of this survey in the first quarter of 2009.

Compared with CFOs in the EMEA region, risk appetite among CFOs in the Netherlands is very strong. Only 38 percent of EMEA CFOs believe that now is the right time to be taking more balance-sheet-related risks. However, risk appetite among CFO in Eurozone-countries is stronger than in countries that do not use the euro: 40 percent versus 35 percent.

Chart 7. Risk appetite

Percentage of CFOs reporting that now is a good time to be taking greater balance-sheet-related risks

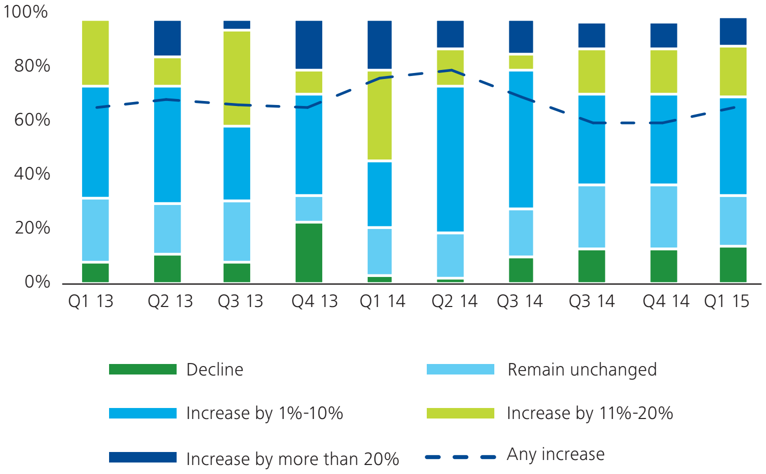


CFOs' expectation about any increase in operating or free cash flows came in at 67 percent, versus 61 percent in 2014 Q4.

Still, 15 percent (from 14 percent) believe that cash flows will decrease over the next 12 months, while 19 percent (from 24 percent) expect cash flows to remain the same.

Chart 8. Change in cash flows over the next 12 months

Percentage of CFOs who expect their companies' operating or free cash flows to increase/decrease over the next 12 months



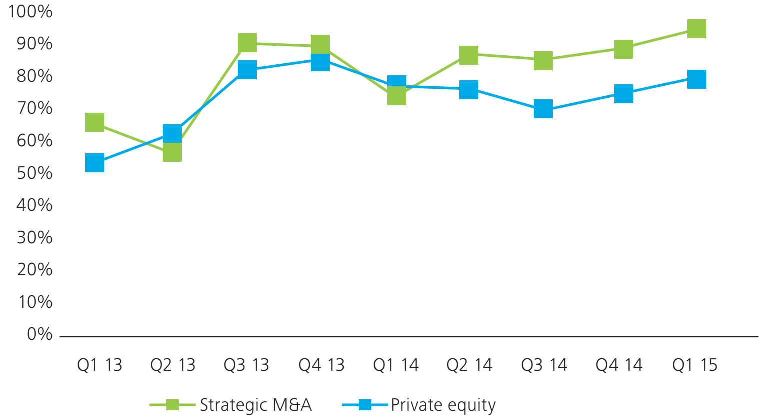
CFOs remain very optimistic about the mergers and acquisitions market.

No less than 96% of CFOs expect corporate M&A activity to grow in the next 12 months.

The outlook for private equity transactions improved to 81 percent.

Chart 9. M&A outlook

Net percentage of CFOs who expect M&A activity to increase/decrease in the next 12 months

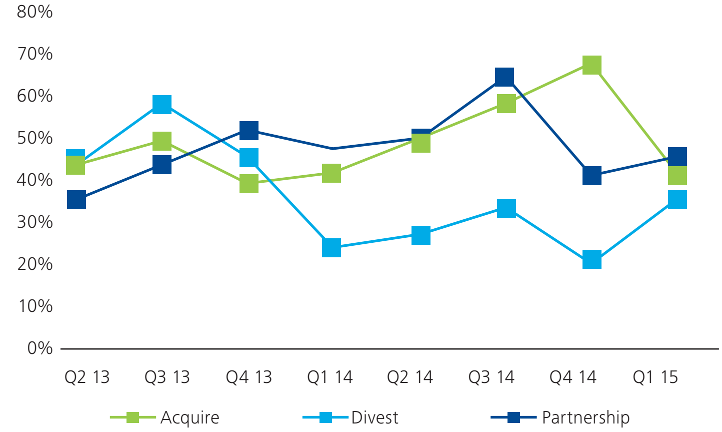


When asked whether their companies will be involved in any M&A transactions over the next 12 months, 44 percent of CFOs said to realize an acquisition.

Some 48 percent indicated that their company will enter a partnership, while 37 percent is considering to sell assets or a subsidiary.

Chart 10. Likeliness of M&A activity at a CFO's company

Percentage of CFOs who expect their company to be involved in a M&A transaction over the next 12 months



Special topic: crisis management

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Organizations should accept the fact that however good their defenses are, incidents and crisis situations will occur. A single mega event – or a combination of them – can trigger a crisis situation that potentially threatens the very survival of the business. These mega events are occurring with increasing frequency, such as cyber-attacks, financial crime, geopolitical confrontations, financial disruptions and other catastrophes.

In most companies, crisis management is owned by a member of the executive board, the Chief Executive Officer in particular.

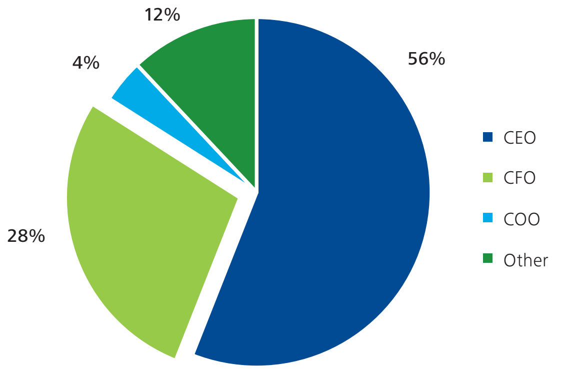
Some 28 percent of the CFO panelists is on point for crisis management in his or her company.

In some cases, crisis management is having a joint ownership across the members of the board.

Other owners (12 percent) includes a.o. Legal director, head of Business Continuity, Security director or non-executives.

Chart 11. Crisis management ownership

Distribution of ownership for crisis management among senior management

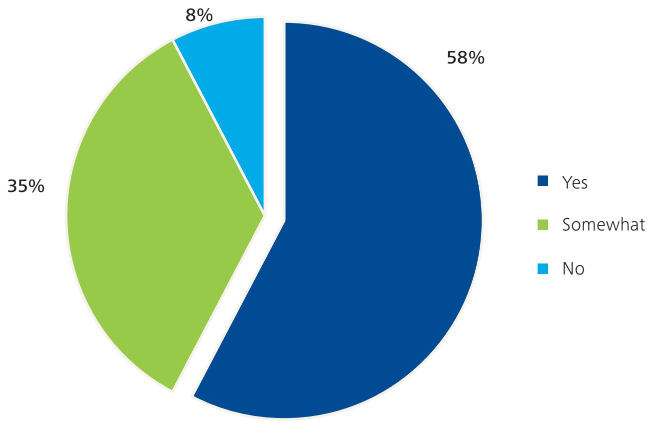


When asked whether he or she feels personally prepared to handle a major crisis, the majority of CFOs (58 percent) answered yes.
This implies that 42% does not feel (very) confident to handle a major crisis.

It should be taken into account that only 28 percent of CFOs owns crisis management in his or her organization.

Chart 12. Preparedness CFOs

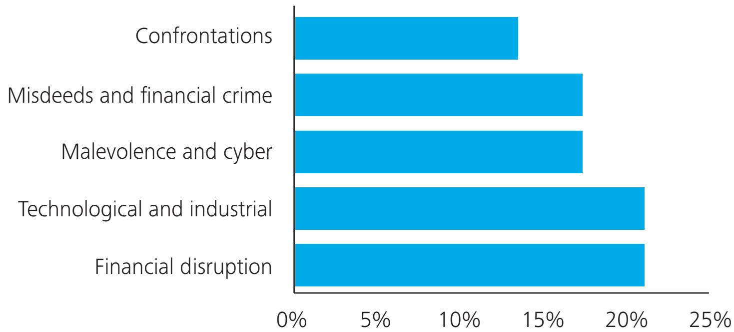
Percentage of CFOs who feel personally prepared to handle a crisis situation



Companies encounter minor crises almost every day of every week, but these crisis don't put the business at risk. Mega events are more critical and CFOs were asked to rank five types of events that jeopardize critical assets, reputation, or financial standing.

CFOs indicated that they prepare most for financial disruption (unforeseen failures that threaten a company's very existence) and technological and industrial crisis (complex systems fail, either through accident, mismanagement or sabotage). Malevolence and cyber-attacks rank third, followed by misdeeds and financial crime (e.g. fraud).

Chart 13. Preparation and tracking of potential crisis situations
Ranking of potential crisis situations that CFOs' companies are tracking and preparing for



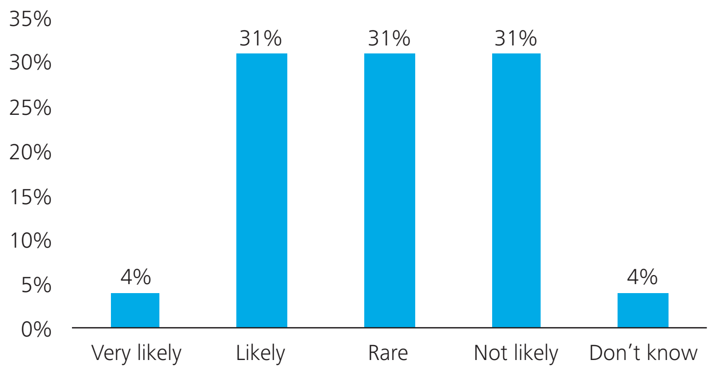
CFOs were asked how likely the crisis ranked number 1 (see chart 13) will occur.

Only 4 percent of the panelists say that their company will experience the crisis ranked number 1 within a few months from now.

Some 31 percent believes that it is likely the crisis will take place within one or two years.

About a third of CFOs think that the crisis situation will occur within three to five year while also a third believes that a crisis will take place only once in a decade.

Chart 14. Likeliness of crisis to occur
Likeliness of the crisis ranked #1 in chart 13 to occur according to CFOs

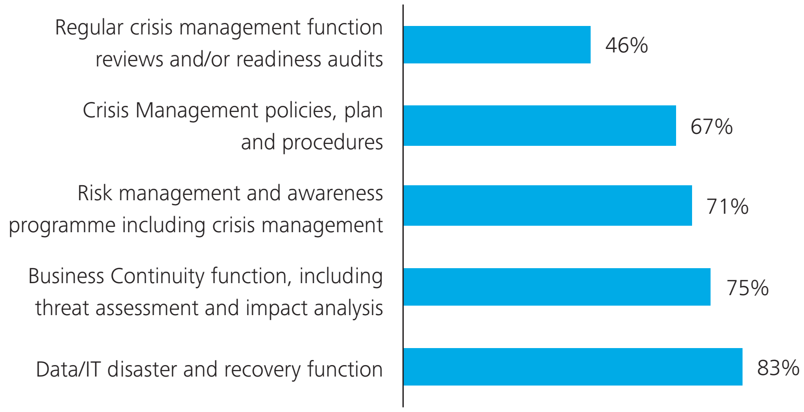


Monitoring, preparation, and rehearsal are ways to prepare for a crisis event.

Some 83 percent of CFOs said that their company is having a data/IT disaster and recovery function and some 75 percent indicated to have a Business Continuity function.
Risk management including crisis management is also very common.

No CFO indicated that there is no preparation at all.

Chart 15. Ways of preparing a crisis
How CFOs' companies prepare for a crisis situation, what is in place or what has been done

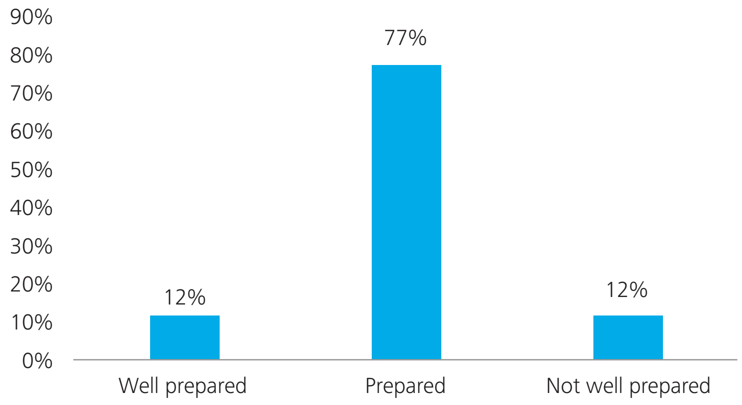


Overall, only 12 percent of CFOs believe that their companies are (very) well prepared for a crisis situation.

The majority of CFOs, 77 percent, say that his or her company is prepared.

Only a small minority of 12 percent indicate that their company is not well prepared.

Chart 16. Overall preparedness
Percentage of CFOs who say their company is (well) prepared for a crisis situation



A note on methodology

To enhance readability not all survey questions will be reported in each quarterly survey. Survey questions will be selected in response to the current financial economic situation. If you wish to receive information about non-reported questions, please contact us. The Deloitte CFO Survey is also executed by other Deloitte countries, for instance the UK. Comparisons will be made when relevant.

Some of the charts in the Dutch Deloitte CFO Survey show the results in the form of a net balance. This is the percentage of respondents reporting, for instance, that bank credit is attractive minus the percentage stating that bank credit is unattractive. This is a standard way of presenting survey data. Due to rounding answers may not total 100%.

The 2015 Q1 survey took place between 2 March 2015 and 24 March 2015. A total of 27 corporate CFOs completed our survey, representing a net turnover per company of approximately EUR 2.9 billion. The responding companies can be categorized as follows: less than 100 million (4%), 100-499 million (26%), 500-999 million (11%), 1-4.9 billion (37%), more than 5 billion (15%), and unknown (7%).

We would like to thank all participating CFOs for completing our survey. We trust the report will make an interesting read and highlights the challenges facing CFOs. We also hope it provides you with an important benchmark to understand how your organization compares to your peers.

Author:
Harm Drent (@hdrent69), Deloitte Research & Market Intelligence

Contacts

Jan de Rooij
Partner Deloitte Core Audit - CFO Program Lead Partner
JandeRooij@deloitte.nl
+31 (0)6 5336 6208

Wilten Smit
Managing Partner
Deloitte Financial Advisory Services
WiSmit@deloitte.nl
+31 (0)6 5389 7407

Gerrie Lenting
Partner Deloitte Risk Services
GLenting@deloitte.nl
+31 (0)6 1099 9221

Harm Drent
Manager Research & Market Intelligence
HDrent@deloitte.nl
+31 (0)6 1201 1716

Karen van Schie
Deloitte Press Officer
KvanSchie@deloitte.nl
+31 (0)6 8201 9154

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